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The Intersection of Antitrust and Regulation

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I. Introduction

- Antitrust is general way to regulate competition
- Regulation is specific way to regulate competition
- Each has benefits and costs
- Can be used as substitutes or complements

II. Patterns of Interaction

- A. Antitrust often precedes regulation or deregulation
 - ◆ Provide examples and brief description: telecom, energy, airline reservations, medical residents

II. Patterns of Interaction

- B. Regulated industries differ regarding use of antitrust
 - ◆ Antitrust savings clauses – (*Trinko*)
 - ▶ “Nothing in this Act or the amendments made by this Act ... shall be construed to modify, impair, or supersede the applicability of any of the antitrust laws.”

Cont.

- ◆ Why do some regulated industries (Telecom) allow antitrust action and others (R.R.) not?
- ◆ How is use of antitrust in a regulated industry explained by economic theory of regulation?

III. Studies of Antitrust and Regulation

- A. Using antitrust to regulate relies on duties to deal
 - ◆ Limited in light of *Trinko*
 - ◆ Difficult to set prices
 - ◆ Examples – U.S., Europe (*Microsoft*)

III. Studies of Antitrust and Regulation

- B. Regulation involves cross-subsidy (Ramsey pricing)
 - ◆ Entry constrains cross subsidy
 - ◆ Antitrust provides a voice to some interest groups and has led to deregulation and/or constraints on regulators

Cont.

- ◆ Empirical examples of use of antitrust in regulated industries, trying to explain the use as a response to particular interest groups